DCAA

CRITERIA FOR ADEQUATE PROPOSALS

August 30, 2006

PRESENTED BY

RANDY YORK, CPA

FINANCIAL LIAISON ADVISOR

AGENDA

- Proposal Help from DCAA
- Cost or Pricing Data
- Vital Elements of a Proposal
- Example of Submitted Proposal, including
  - ❖ Cost Elements
  - ❖ Overhead Rate Calculation
  - ❖ G&A Rate Calculation

PROPOSAL HELP FROM DCAA

- **DCAA Pamphlet 7640.91 “Information for Contractors”, Chapter 3 Price Proposals**
- **This information is available on the DCAA public website www.dcaa.mil under Publications and Info for Contractors**

COST OR PRICING DATA

- **Cost or Pricing data consist of all facts existing up to the time of agreement on price which prudent buyers and sellers would reasonably expect to have a significant effect on price negotiations (FAR 2.101) and requires certification IAW FAR 15.406-2. Cost or pricing data consists of facts which can be verified and should be distinguished from judgments (opinions based on fact) made by the contractor in estimating future costs.**

- **Information Other than Cost or Pricing Data means any type of information that is**

COST OR PRICING DATA

- **FAR 15.403 specifies when Cost or Pricing Data is required. Without an exemption under FAR 15.403-1 the threshold of $550,000 applies.**

- **The contracting officer may require Cost or Pricing Data in the format at FAR 15.408, Table 15-2 Instructions for Submitting Cost/Price Proposals When Cost or Pricing Data are Required, specify an alternative format or permit submission in the offeror's own format.**

- **Opinion on adequacy of submitted Cost or**

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Proposal Submitted in Response
to RFP DAAH01-02-R-0001

Element of Cost	Amount	Reference
Engineering Labor	$452,151	Schedule 1
Manufacturing Labor	26,412	Schedule 1
Direct Labor Overhead @ 56.7%	271,345	Schedule 2
Material	113,175	Schedule 3
Material Handling Overhead @ 5.0%	5,659	Schedule 4
Subtotal	$868,742	
G&A @ 8.0%	69,499	Schedule 5
Estimated Cost	$938,241	
Profit @ 10.0%	93,824*	
Total Price	**$1,032,065**	

*Offerors negotiate profit with the contracting officer. DCAA doe not make recommendations concerning profit but can assist the contracting officer in developing a profit objective.

VITAL ELEMENTS OF A PROPOSAL

GENERAL

- A properly completed first page of the proposal or a summary format as specified by the contracting officer in the solicitation. (FAR 15.408, Table 15-2 I.A.)
- An index referencing all cost or pricing data and information accompanying or identified in the proposal. (FAR 15.408, Table 15-2 I.B.)
- A summary of total cost by element cross-referenced to supporting cost or pricing data. (FAR 15.408, Table 15-2 I. D&F.)

VITAL ELEMENTS OF A PROPOSAL

FIRST PAGE DETAIL (FAR 15.408, Table 15-2 I.A.)

Required information on the first page of the pricing proposal:

(1) Solicitation, contract, and/or modification number;
(2) Name and address of offeror;
(3) Name and telephone number of point of contact;
(4) Name of contract administration office (if available);
(5) Type of contract action;
(6) Proposed cost; profit or fee; and total;
(7) Whether you will require the use of Government property;

VITAL ELEMENTS OF A PROPOSAL

(8) Whether your organization is subject to cost accounting standards; whether your organization has submitted a CASB Disclosure Statement, and if it has been determined adequate and whether the proposal is consistent with your established estimating and accounting principles and procedures and FAR Part 31, Cost Principles, and, if not, an explanation;

(9) The following statement:

This proposal reflects our estimates and/or actual costs as of this date and conforms with the instructions in FAR 15.403-5(b)(1) and Table 15-2. By submitting this proposal, we grant the Contracting Officer and authorized representative(s) the right to examine, at any time before award, those records, which include books, documents, accounting procedures and practices, and other data, regardless of type and form or whether such supporting information is specifically referenced or included in the proposal as the basis for pricing, that will permit an adequate evaluation of the

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VITAL ELEMENTS OF A PROPOSAL

GENERAL

- **An identification of cost or pricing data and an explanation of the estimating process. When applicable, the following items should be specifically identified: (Table 15-2 I.C.)**
  - **Judgmental factors and the methods used in the estimate, including those used in projecting from known data.**
  - **The nature and amount of any contingencies.**

VITAL ELEMENTS OF A PROPOSAL

GENERAL

- An identification of any incurred costs for work performed before submission of a proposal. (FAR 15.408, Table 15-2, I.F.)
- An identification and description of any agreements with Government representatives on use of forward pricing rates/factors. (FAR 15.408, Table 15-2 I.G.)
- The location and point of contact for any cost or pricing data which is identified, but not included, in the proposal.
- Disclosure of any other known activity that could materially impact the costs (i.e., existing excess material, company reorganizations, new technology

VITAL ELEMENTS OF A PROPOSAL

DIRECT LABOR

- **A time phased (i.e., monthly, quarterly, etc.,) breakdown of labor rates and hours by category or skill level and the basis for the estimates of rates and hours (i.e., historical experience, engineering estimates, learning curves, etc.). If labor is the allocation base for indirect costs, the labor cost should be summarized in order that the applicable overhead rate can be applied. (FAR 15.408, Table 15-2 II.B.)**
  - **Hours**

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Schedule 1

Engineering Labor Cost

Labor Category	2002	2003	2004	Total
Program Manager	$23,174	$27,079	$18,967	$69,220
Senior Engineer	31,668	24,939	20,370	76,977
Junior Engineer	39,816	34,845	21,951	96,612
Engineering Aide	26,100	8,377	800	35,277
Technical Writer	-	-	15,876	15,876
Metallurgist	35,815	23,748	14,546	74,109
Draftsman	41,690	29,850	12,540	84,080
Total D/L – Eng	**$198,263** (Sched 1A)	**$148,838** (Sched 1B)	**$105,050** (Sched 1C)	**$452,151**

Manufacturing Labor Cost

Labor Category	2002	2003	2004	Total
Fabrication	$4,340	$6,834	$7,176	$18,350
Assembly	-	1,942	6,120	8,062
Total D/L – Mfg	**$4,340** (Sched 1A)	**$8,776** (Sched 1B)	**$13,296** (Sched 1C)	**$26,412**
Total Direct Labor	$202,603	$157,614	$118,340	$478,563

Schedule 1A

2002 Engineering Labor Cost

Labor Category	Rate/Hr	Hours	Total
Program Manager	$33.93	683	$23,174
Senior Engineer	26.39	1,200	31,668
Junior Engineer	22.12	1,800	39,816
Engineering Aide	14.50	1,800	26,100
Technical Writer	16.00	-	-
Metallurgist	18.85	1,900	35,815
Draftsman	18.95	2,200	41,690
Total D/L – Eng		**9,583**	**$198,263**

2002 Manufacturing Labor Cost

Labor Category	Rate/Hr	Hours	Total
Fabrication	$10.85	400	$4,340
Assembly	9.25	-	-
Total D/Labor – Mfg		**400**	**$4,340**
Total Direct Labor			$202,603

All hours proposed are based on historical costs, reference contract DAAH01-99-C-0001, account 9271.

The supporting data showing the historical hours and the development of the proposed hours are in file
"DAAH01-02-R-0001. Hours" and is available immediately upon request.

Schedule 1B

2003 Engineering Labor Cost

Labor Category	Rate/Hr	Hours	Total
Program Manager	$35.63	760	$27,079
Senior Engineer	27.71	900	24,939
Junior Engineer	23.23	1,500	34,845
Engineering Aide	15.23	550	8,377
Technical Writer	16.80	-	-
Metallurgist	19.79	1,200	23,748
Draftsman	19.90	1,500	29,850
Total D/L – Eng		**6,410**	**$148,838**

2003 Manufacturing Labor Cost

Labor Category	Rate/Hr	Hours	Total
Fabrication	$11.39	600	$6,834
Assembly	9.71	200	1,942
Total D/Labor – Mfg		**800**	**$8,776**
Total Direct Labor			$157,614

All hours proposed are based on historical costs, reference contract DAAH01-99-C-0001, account 9271.

The supporting data showing the historical hours and the development of the proposed hours are in file
"DAAH01-02-R-0001, Hours" and is available immediately upon request.

VITAL ELEMENTS OF A PROPOSAL

MATERIALS AND SERVICES

- **Consolidated Price Bill of Materials.**

A consolidated priced summary of individual material quantities included in the various tasks, orders, or contract line items being proposed and the basis for pricing (vendor quotes, invoice prices, etc). The offeror must include raw materials, parts, components, assemblies and services to be produced or performed by others. For all items proposed, the offeror must

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Schedule 3

Shock Absorber Bill of Material

	(Note 3) Support	Qty	Unit Price	Total	Notes
Sheet Metal		1,600 sq. yd	$25.00	$40,000	**(1)**
Casings		750 pcs.	8.50	6,375	**(2)**
Plastic		7,500 pcs.	5.75	43,125	**(1)**
Springs		1,700 pcs.	4.00	6,800	**(2)**
Bolts		7,500 pcs.	2.25	16,875	**(2)**
Total Material				**$113,175**	

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Explanatory Notes

(1) These prices are supported by multiple vendor quotes. The proposed prices are those provided by the low bidder who was the ACME Corporation in their quotation dated October 21, 2001. The quotations are included in file "DAAH01-02-R-0001, Vendor Quotations" that are available immediately upon request.

(2) These prices are supported by the Halloween edition of the Springs R

VITAL ELEMENTS OF A PROPOSAL

SUBCONTRACTORS

- **Price analyses of all subcontractor proposals, and cost analyses for all subcontracts when cost or pricing data are required to be submitted by the subcontractor, showing the basis for establishing source and reasonableness of price. The offeror must obtain cost or pricing data from prospective sources for those acquisitions exceeding the threshold in FAR 15.403-4 and not otherwise exempt in accordance with FAR 15.403-1(b). The offeror must provide a summary of the cost analysis and a copy of the cost or pricing data submitted by the prospective source in support of each subcontract when required by FAR 15.408, Table 15-2 II.A.**

VITAL ELEMENTS OF A PROPOSAL

INTERORGANIZATIONAL TRANSFERS

- **The offeror's cost analysis of the proposed interorganizational transfers and a breakdown of the proposed costs by element, when the proposed transfers are based on cost. (FAR 15.408, Table 15-2 II.A.(2))**

- **An explanation of the pricing method used for proposed interorganizational transfers when the proposed transfers are based on other than cost (FAR 15.408, Table 15-2 II.A.(1)).**

VITAL ELEMENTS OF A PROPOSAL

OTHER COSTS

- **Identification of all other costs by category not described above (e.g., special tooling, travel, computer and consultant services) and bases for pricing. (FAR 15.408, Table 15-2 II.D.)**

VITAL ELEMENTS OF A PROPOSAL

INDIRECT COSTS

- **In the absence of any agreements on the use of forward pricing rates/factors, the offeror should show how indirect rates were computed and applied. Support for the indirect rates could consist of cost breakdowns, trends, and budgetary data. (FAR 15.408, Table 15-2 II.C.)**

VITAL ELEMENTS OF A PROPOSAL

INDIRECT COST DETAIL

Cost Breakdowns, Trends, and Budgetary Data (FAR 15.408, Table 15-2 II.C.)

- **How Indirect Costs Are Computed**
  - ✓**Rate = Cost Pool / Allocation Base**
  - ✓**What costs are in the pool?**
- **How Indirect Costs Are Applied**
  - ✓**What is the allocation base?**

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Schedule 2

Cost Element	2002	2003	2004	Total .
D/L – Engineering	$198,263	$148,838	$105,050	$452,151
D/L – Manufacturing	4,340	8,776	13,296	26,412
Total Direct Labor	$202,603	$157,614	$118,340	$478,563
	(Sched 1A)	(Sched 1B)	(Sched 1C)	
D/L Overhead Rate	**56.7%**	**56.7%**	**56.7%**	**56.7%**
	(Schedule 2A)			
Direct Labor O/H	**$114,876**	**$89,367**	**$67,102**	

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Schedule 2A

Budget for FY 2002 Labor Overhead
Actual Overhead Expenses for FY 1999 - 2001

(Note 2)	Budget	Actual Expenses (Note 1) .		
Overhead Expenses	**2002**	**2001**	**2000**	**1999**
Indirect Payroll	$260,000	255,120	280,450	225,320
Payroll Taxes	228,000	223,615	245,538	197,308
Vacation	120,000	117,692	129,231	130,846
Holiday	110,000	107,885	118,462	95,192
Sick Leave	50,000	49,038	47,832	43,269
Pensions	171,000	167,712	184,154	147,981
Employee Morale	5,000	4,530	5,960	4,210
Entertainment	50,000	45,820	57,352	39,820
Office Equipment	7,000	3,251	4,525	6,320
Depreciation	5,000	5,125	5,075	4,925
Subscriptions	1,500	1,485	1,450	1,475
Travel	22,000	25,352	18,085	21,025
Miscellaneous	2,000	2,421	2,310	

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Schedule 2A

Budget for FY 2002 Labor Overhead
Actual Overhead Expenses for FY 1999 - 2001

(Note 2) Overhead Expenses	Budget 2002	Actual Expenses (Note 1) 2001	2000	1999
Net Allowable Expenses	$1,324,500	$1,299,454	$1,382,627	$1,174,527
Allocation Base				
Direct Labor	$2,336,000	$2,221,289	$ 2,613,662	$2,147,216
		(Note 3)		
Rate	56.7%	58.5%	52.9%	54.7%
		=======	=======	======= =======
		(Note 4)		

Explanatory Notes

(1) Provide the prior three years' actual overhead expense and allocation base in the same format as the budget for 2002. For the year 2001, actuals to date are provided.

(2) The projected overhead expenses are based on the company's operating budget for 2002. The operating budget supporting data is located in file "DAAH01-02-R-0001, Overhead Operating Budget" and is immediately available upon request.

(3) Includes Bid and Proposal Labor of $5,000

(4) The same rate is estimated for fiscal years 2003 and 2004. We anticipate minimal

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Schedule 5

Engineering Labor	$452,151	Schedule 1
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Material	113,175	Schedule 3
Material Handling Overhead @ 5.0%	5,659	
Schedule 4		
Total Cost Input	**$868,742**	
G&A Rate	**8.0%**	Schedule 5A
G&A	**$69,499**	

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Schedule 9A

Budget for FY 2002 G&A
Actual G&A Expenses for FY 1999 – 2001

	(Note 2)	Less	Net Allow	Actual	
Expenses (Note 1)					
2002 Projected G&A Expenses		**Unallow**	**Expenses**	**2001**	
2000	**1999**				
Payroll Taxes	$16,000	$16,000	15,764	15,768	14,468
Officers' Salaries	165,000	165,000	155,000	152,000	142,000
Indirect Salaries	21,000	21,000	20,152	23,201	18,752
Interest	14,000	$14,000	-	*12,351*	*15,321* *11,057*
Vacation	11,000	11,000	10,509	10,512	9,645
Holiday	9,000	9,000	8,758	8,760	8,037
Sick Leave	5,000	5,000	4,532	5,103	4,102
Contributions	8,000	8,000	-	*8,500*	*7,000* *6,500*
Pensions	12,000	12,000	10,509	10,512	9,645
Office Equipment	1,000	1,000	952	1,125	856
Depreciation	2,500	2,500	2,490	2,750	2,360

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Schedule 5A

Budget for FY 2002 G&A
Actual G&A Expenses for FY 1999 – 2001

(Note 1)	(Note 2&3)	Less	Net Allow	Actual Expenses	
2002 Projected G&A Expenses		**Unallow**	**Expenses**	**2001**	
	2000	**1999**			
Total G&A and B&P	**$350,000**		**$30,500**	**$319,500**	
$304,221	**$301,286**	**$274,999**			
Allocation Base					
Labor			**$2,331,000**	$2,216,789	$2,608,162
$2,141,816					
Overhead **(Note 4)**				**1,371,665**	1,342,642
1,437,070	1,211,393				
Other Direct Costs				**29,000**	28,523
27,854	22,525				
Materials			**250,000**	225,700	317,450
185,000					
Material Overhead				**12,500**	11,700
14,920	9,270				
Total Base				**$3,994,165**	$3,825,354
$4,405,456	$3,570,004				
G&A Rate		**(Note 5)**		**8.0%**	
8.0%	**6.8%**	**7.7%**		=====	=====
=====	=====				

Explanatory Notes

(1) Provide the prior three years' actual G&A expenses and the allocation base in

VITAL ELEMENTS OF A PROPOSAL

ROYALTIES AND LICENSE FEES

- If royalties exceed $1,500, the proposal must provide the information identified in FAR 15.408, Table 15-2 II.E.

FACILITIES CAPITAL COST OF MONEY

- When claiming facilities capital cost of money, the offeror must submit Form CASB-CMF and show the calculation of the proposed amount. (FAR 31.205-10), Table 15-2 II.F.)

RATIONALE FOR PROPOSED PROFIT

VITAL ELEMENTS OF A PROPOSAL

CHANGE ORDERS, MODIFICATIONS AND CLAIMS

For Change Orders, Modifications and Claims, the contractor should follow the format for submission contained in FAR 15.408, Table 15-2 III.B.

PRICE REVISION/REDETERMINATION

- **For price revision/redetermination, the contractor should follow the format in FAR 15.408, Table 15-2 III.C.**

SUMMARY

- **Criteria for Adequate Cost or Pricing Data**
- **Elements of An Adequate Proposal**

PROPOSAL HELP FROM DCAA

- **DCAA Pamphlet 7640.91 “Information for Contractors”, Chapter 3 Price Proposals**
- **This information is available on the DCAA public website www.dcaa.mil under**

QUESTIONS?

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